INTERNATIONAL URANIUM (USA) CORPORATION

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m/37/012

May 22, 2002

Via Overnight Mail

D. Wayne Hedberg
Permit Supervisor
Minerals Regulatory Program
Division of Oil, Gas, and Mining
1594 West North Temple, Suite 1210
P.O. Box 145801
Salt Lake City, UT 84114-5801

Re: Extension of Suspension of Mine Operations.

Dear Mr. Hedberg:

International Uranium (USA) Corporation ("IUSA") received, on May 16, a certified letter from the Division of Oil, Gas, and Mining (the "Division"), dated May 10, 2002, advising IUSA of the upcoming five-year review of reclamation surety for the mine permits held by IUSA. In addition to providing this notice to IUSA, the letter also advised IUSA to act promptly to request an extension of suspension of operations, if IUSA so intends. This letter is IUSA's formal request to the Utah Board of Oil, Gas, and Mining ("Board") for an extension of the present suspension of operations.

IUSA operates five (5) mines in San Juan County, including:

Rim-Columbus Mine (M/037/006)
Pandora Mine (M/037/012)
LaSal – Snowball Mine (M/037/026)
Hecla Shaft (M/037/043)
Redd Block IV (M/037/046)

The operational status of each of these operations is detailed in the attached supplemental information.

The Rim Mine operated as recently as 1998, IUSA mines, nearby in Colorado, operated as recently as 1999, and plans were underway to resume operations at the Pandora, LaSal, and Snowball mines during this recent period also. As has historically been the case with mining operations in the Colorado Plateau mining district, mines operate and then suspend operations periodically in response to uranium and vanadium market fluctuations. The mineral resources controlled by IUSA on the Colorado Plateau are

estimated to be over 8 million pounds of uranium and more then 47 million pounds of vanadium, which represent a significant portion of U. S. domestic resources. These resources can be developed at reasonable uranium/vanadium prices; however, if the mines are permanently reclaimed, these resources will essentially be gone forever. For these reasons, the mines should be maintained on "standby".

In addition to preserving the mines and resources, IUSA has been aggressively pursuing the development of an "alternate feed" program for the White Mesa Mill. This program identifies uranium-bearing materials which can be processed at the Mill to recover/recycle the valuable uranium. The alternate feed materials are typically: process residues from other mineral processing operations; government clean-up programs (e.g. the Corps of Engineers' Formerly Utilized Site Remedial Action Program ("FUSRAP")); and process residues from other nuclear fuel cycle operations. The alternate feed program provides sources of feed for the White Mesa Mill and supports maintenance of the necessary infrastructure for eventual mining of the resources in the Colorado Plateau District.

From a macro viewpoint, the world uranium market has shown considerable price firming in the past 18 months. Prices for spot sales have risen from $7 per pound U_3O_8 in January 2001 to around $10 per pound U_3O_8 today. Most developed nations are engaged in programs to expand or modernize their nuclear power programs, not only to meet growing demand for electricity, but also to reduce continued escalation of the output of greenhouse gases resulting from combustion of fossil fuels for power generation. In 2000, uranium production from mines supplied only slightly over one half of world uranium consumption; the deficit was made up from inventories and supplies made available by the demilitarization of strategic uranium stockpiles and materials. These inventories and stockpiles are finite and cannot fulfill uranium requirements indefinitely – new uranium production will be required in coming years. IUSA believes that increasing demand for newly produced uranium will have a corresponding positive impact on uranium prices.

Given the projected market conditions, combined with the success of the alternate feed program, which maintains the necessary conventional milling infrastructure, IUSA plans to maintain its mines on standby status in order to provide an opportunity to capitalize on increased uranium prices in the future.

I trust this brief commentary, and the supplemental materials submitted herewith, provides sufficient support to grant an extension to IUSA on the suspension of operations at its mines. Please contact Terry Wetz or myself at 303-628-7798 if you have any questions or if additional information is needed. Thank you for your consideration.

Sincerely,

Ron F. Hochstein
President & Chief Executive Officer
International Uranium (USA) Corporation

Attachment.

cc: David C. Frydenlund
Terry V. Wetz

International Uranium (USA) Corporation Letter of May 24, 2002
Supplemental Information.

Review of Uranium Markets, Prices, and IUSA Operations

Recent Market History and Mining Operations

International Uranium (USA) Corporation ("IUSA") acquired the subject mines in Utah in 1997, as well as mining and exploration properties in Colorado and Arizona and the White Mesa Mill. At that time, uranium prices were around $16.00 per pound, and expectations were that this price would remain firm for at least a few years. Immediately upon closure of the acquisition, IUSA implemented a vigorous program of mine re-opening and rehabilitation. Ore production commenced in November 1997 at a group of mines in western Colorado. Simultaneously, mine reactivation work was initiated at the Rim Mine in Utah, and production commenced in January 1998. Also during this time period, mine development plans were prepared to re-open the Pandora mine, which would have also involved accessing the LaSal, Snowball, and Beaver Shaft mines to provide access and ventilation.

The ore mined from the Rim Mine and ore purchased from local independent mine operators was transported to the White Mesa Mill for processing. The Mill subsequently processed all of the ore obtained from the mines operated by IUSA and by independent operators in 1999.

Contrary to expectations, the uranium price did not remain firm at the early 1997 levels. Prices declined through 1997 and 1998, ending 1998 at slightly over $9 per pound. The decision by IUSA to suspend mining operations at the end of 1998 corresponded to this price fall. The Rim Mine suspended production in December 1998, and the mines on the Colorado side were all placed on standby by July 1999.

The mines of the Colorado Plateau District are also substantial producers of vanadium. Vanadium is a steel-hardening agent, and is therefore independent of the uranium market. At the time of attractive uranium prices in 1997, vanadium prices were also at a level that supported recovery of vanadium from ores with attractive vanadium grades (the Rim Mine, for example). Unfortunately, the vanadium price declined at the same time as the uranium price was falling. Therefore, the mines could not sustain operations in the face of falling prices for both commodities.

Uranium Market Outlook

Uranium prices fell as low as $7 per pound in late 2000 and into early 2001. Starting in mid 2001, prices started rising. Presently the uranium spot price is at $10 per pound and continuing to experience upward pressure. Although forecasting metals markets is

subjective, uranium market analysts foresee a continued price strengthening for uranium in the coming years. Price projections suggest that the price rise will be gradual, and perhaps somewhat less volatile than past price behavior.

Uranium prices have historically fluctuated over a rather wide range. Expressed in terms of 2000 dollars, prices prior to the uranium boom of the late 1970's were in the range of $20 to $30 per pound. These prices would support production today. The uranium price peaked at over $80 per pound, in equivalent 2000 dollars, in the 1976 through 1978 period. Prices stayed above $20 per pound through the late 1980's, and these prices supported nearly continuous mining operations throughout the Colorado Plateau District. As noted earlier, prices were in the mid to high teens as recently as 1997.

Often in periods of escalating uranium prices, supply shortages cause utility customers to enter into long term contracts, which can provide price protection for producers in the event that prices decline during the time frame that deliveries are being made. By entering into long term contracts during periods of price strengthening, uranium producers can assure themselves of prices for their production that will justify the expenditures needed to rehabilitate and reopen mines that have been held in standby status.

Future uranium prices cannot be predicted with certainty. What can be predicted with certainty is that new uranium production will be required, just to fill existing unfilled demand in coming years. About 18% of all the electricity generated in the world comes from nuclear power. In the United States, 20% of our total electricity generation comes from 103 currently operating nuclear power reactors. An additional 27 reactors are now under construction outside the US, and firm plans are on the books for more new reactors, particularly in Japan, Taiwan, Korea, and China. In the US, two new reactors have come on line since 1991, but even more importantly, improved operating efficiency at existing reactors has created extra demand equivalent to 20 new plants. US reactor capacity factors have risen from 70% in 1991 to 88% in 2000, resulting in an increase in uranium requirements of 38%. Recently, consortiums of US utilities have announced plans to begin siting work for "new generation" nuclear power stations, and a number of previously shutdown or incomplete plants have been put back on track for commercial operations.

These arguments show that new sources of uranium supply, including resumption of production from existing domestic districts, will be needed in the coming decades. Mines that have remaining reserves and which can be brought back into production may well be a source of uranium supplies for the future.

IUSA Plans

IUSA hopes to preserve its uranium and vanadium assets to capitalize on future opportunities in these commodities. During periods of low prices, such as now being experienced, IUSA has diversified its business activities by marshaling its financial

resources in areas that present near term income opportunities. Preservation of key properties and assets is necessary to maintain a position to capitalize on future opportunities.

The mines now in suspension all present opportunities for future production. Although some of the old facilities may need to be replaced or supplemented by new installations, the existing mines provide access and support necessary for future mine development.

The specific situation for each of the permitted mines is as follows:

- Rim-Columbus Mine, M/037/006: Operated January – December 1998. Presently on standby status.
- Pandora Mine, M/037/012: On standby status. Provides direct access to known reserves that were targeted for production in 1998.
- LaSal – Snowball Mine, M/037/026: On standby status. Main regional support installations located at LaSal site, and would be required for development of Pandora and other mines locally. Snowball site is inactive but provides ventilation and secondary escapeway for Pandora and Beaver Mines.
- Hecla Shaft, M/037/043: On standby status. Stand alone mine with large undeveloped remaining reserves.
- Redd Block IV, M/037/046: Only preliminary site preparation work has been conducted at this site. No facilities or installations remain on site. Location is for future shaft over major undeveloped reserves. Site is stable and has revegetated naturally.

Reference: "Nuclear Energy Industry – Past, Present and Future," James J. Graham, Mining Engineering, March 2002.